



**Corporate
Professionals**

**“Understanding SEBI’s evolving
Regulatory Landscape &
Investigative Trends”**





GREED



Stock Market is the Game of 'Greed' and 'Fear'

**Greed – Make more Money by
any means!!**

**Fear – Of Loss or Getting
Caught!!**



“

लोभः पापस्य कारणम्

Types of Securities Market Fraud

Intermediaries Fraud

Research Report/
Investment Advise Fraud

Unauthorized Trading

Dabba Trading

Colocation Fraud

Front Running

Trading Frauds

Market Manipulation

Insider Trading

Circular Trading

Price/Volume Rigging

Synchronized Trade

LTCG Fraud

Reversal trade in
F&O Segment

Company Frauds

Illegal fund raising

IPO Fraud

Ponzi Schemes Fraud

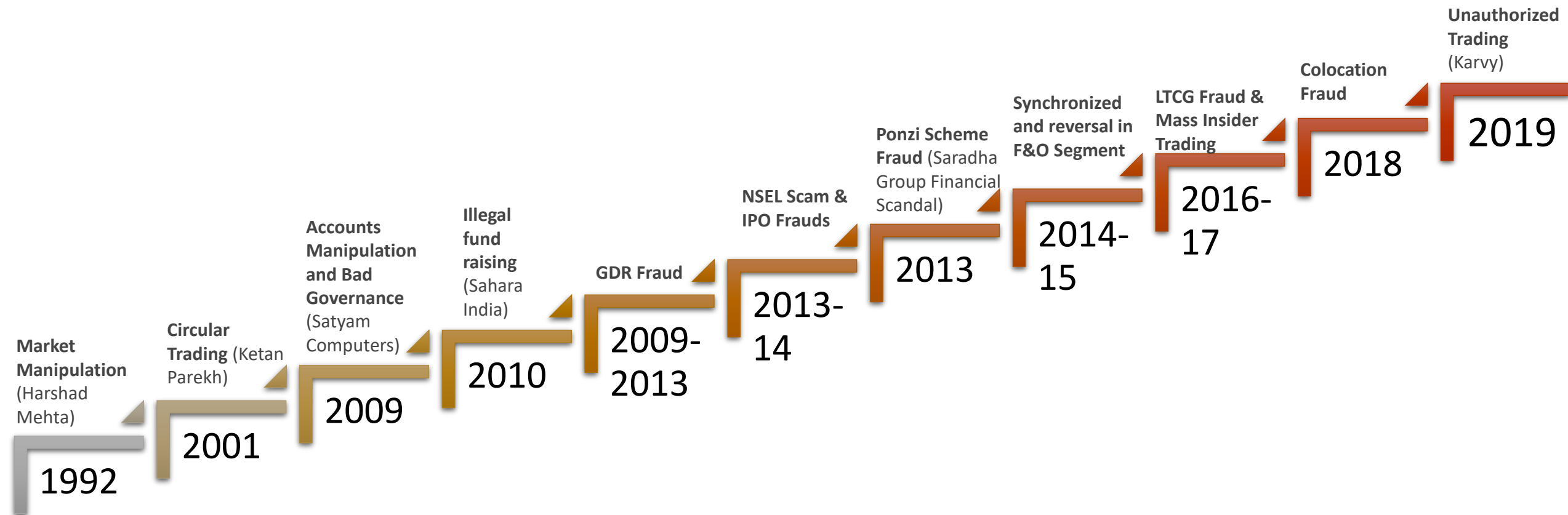
GDR Fraud

Accounts Manipulation &
Mis-Governance

Common reason for Frauds and why they are not detected at early stage

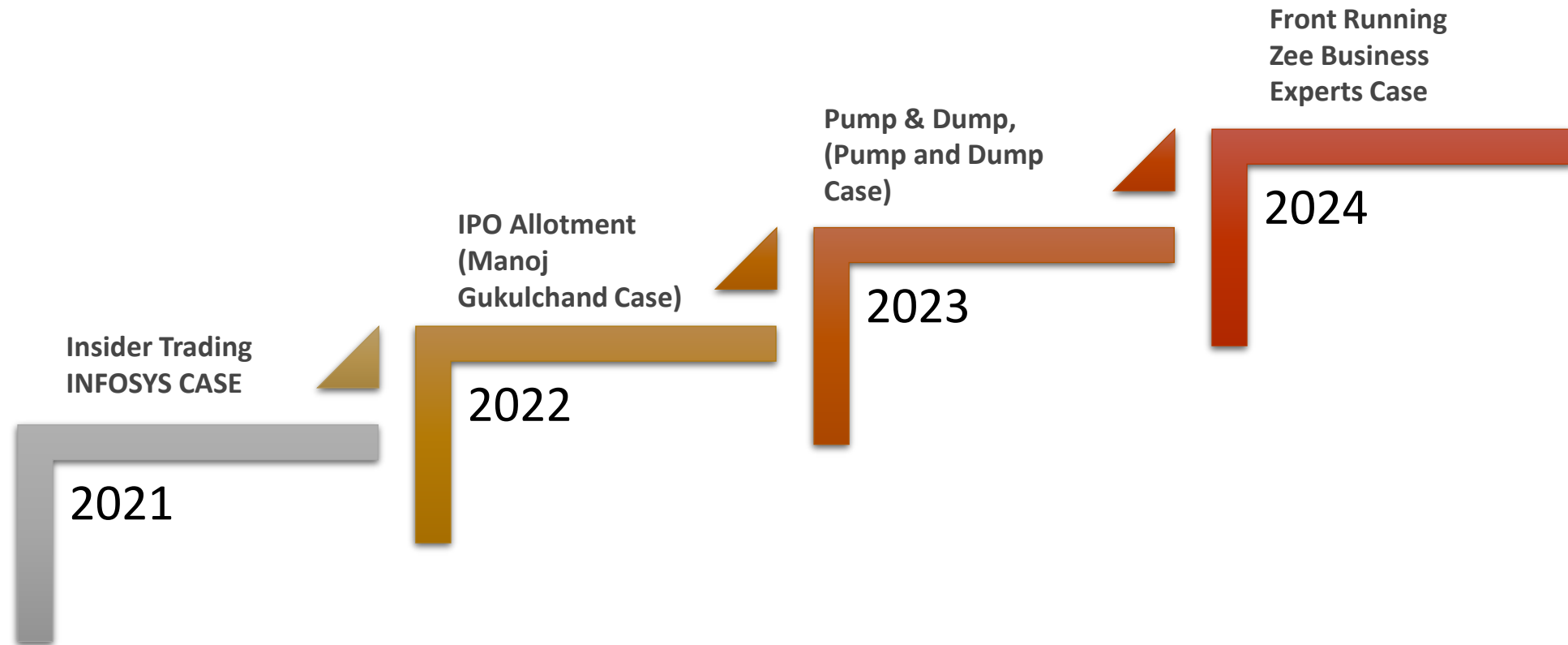
- Diminishing Ethical Values
- Poor Governance
- Ineffective Internal Control Systems
- Compliances in letter; not in spirit
- Highly Volatile Securities Market
- Lack of Investor Awareness and Activism
- Lack of Protection for Whistleblowers

Timeline of Indian Securities Market Fraud (Pre-Covid)

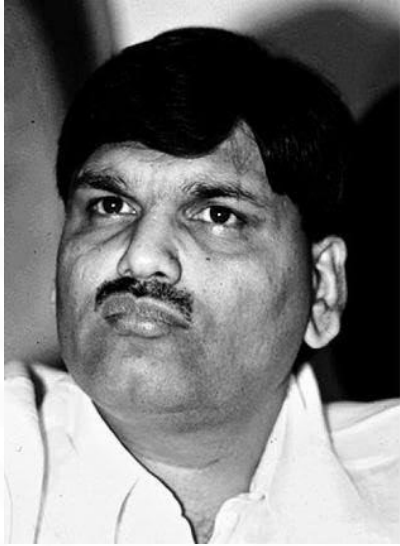


This is only a indicative timeline... Actual number of fraud in each category are much more

Timeline of Indian Securities Market Fraud (Post-Covid)



This is only a indicative timeline... Actual number of fraud in each category are much more



Harshad Mehta Scam: 1992





Harshad Mehta Scam: 1992

Modus Operandi:

- ✍ Price/Volume Rigging
- ✍ Insider Trading
- ✍ Ballooning BSE Index.
- ✍ Bank Fraud

Impact:

- ✍ Scandal involved more than **₹24,000 Crores** of public money.
- ✍ BSE index fell from **4500 to 2500** representing a loss of **Rs. 100,000 crores** in market capitalization.





Ketan Parekh Scam: 2001





Ketan Parekh Scam: 2001

Modus Operandi:

- ✗ Price/Volume Rigging
- ✗ Circular Trading
- ✗ Front Running

Impact:

- ✗ BSE Sensex crashed badly.
- ✗ Large scale losses to investors, including large institutional investors, insurance companies and mutual funds.



Front Running : 2007/2009



Front Running: 2009

Modus Operandi:

- ✗ Front running in the orders/ trades;
- ✗ Creating false and fictitious records;

Impact:

- ✗ Investors were cheated by Intermediaries
- ✗ Creation of Distrust between Investors & Intermediaries

Vijay Vishal Shah





Satyam Computers Scam: 2009





Satyam Computers Scam: 2009

Modus Operandi:

- ✍ Overstatement of Assets
- ✍ Manipulation of Accounts
- ✍ Siphoning of public money
- ✍ False disclosures
- ✍ Misgovernance

Impact

- ✍ Huge Public Money was lost.
- ✍ Investor lost confidence in listed companies.
- ✍ Government had to make task force to handle the situation.
- ✍ Introduction of Companies Act, 2013 – tightening the rules of the Game





Sahara Fraud: 2010



Sahara Fraud: 2010

Modus Operandi:

- ✗ Illegal Money Collection from investors
- ✗ Circumventing provisions of public issue
- ✗ Non-disclosures/False disclosures
- ✗ Diversion of funds
- ✗ Re-payment default

Impact:

- ✗ Huge monies approx. 24,000 Crore were raised from over 3 crores investors, without following the norms for bringing a public Issue i.e. IPO.
- ✗ As per reports, the total dues from Sahara have gone up to **Rs 40,000 Crore** with the accretion of interest.



GDR Fraud : 2009-2013



GDR Frauds: 2009-2013

Modus Operandi:

- ✗ Farcing a non-genuine off-shore GDR
- ✗ Making false disclosures – investors believed that GDR issue was successful
- ✗ Ballooning the market to lure Indian investors
- ✗ Creation of an intricate web of entities in offshore locations for multi-layered transfers of funds before bringing them back to India.





Saradha Group Financial Scandal: 2013



Saradha Group Financial Scandal : 2013

Modus Operandi:

- ✍ Ponzi Scheme
- ✍ Collection of monies from low incomes investors
- ✍ Assured return to investors
- ✍ Embezzling investors' money
- ✍ Re-payment defaults

Impact:

- ✍ Around **₹20 to 30 billion** was lost by over **1.7 million investors**.
- ✍ Strict Laws were introduced for saving investors against such Ponzi schemes. Now collective investment schemes have to be regulated by SEBI. Strong Penal measures are provided for violations.





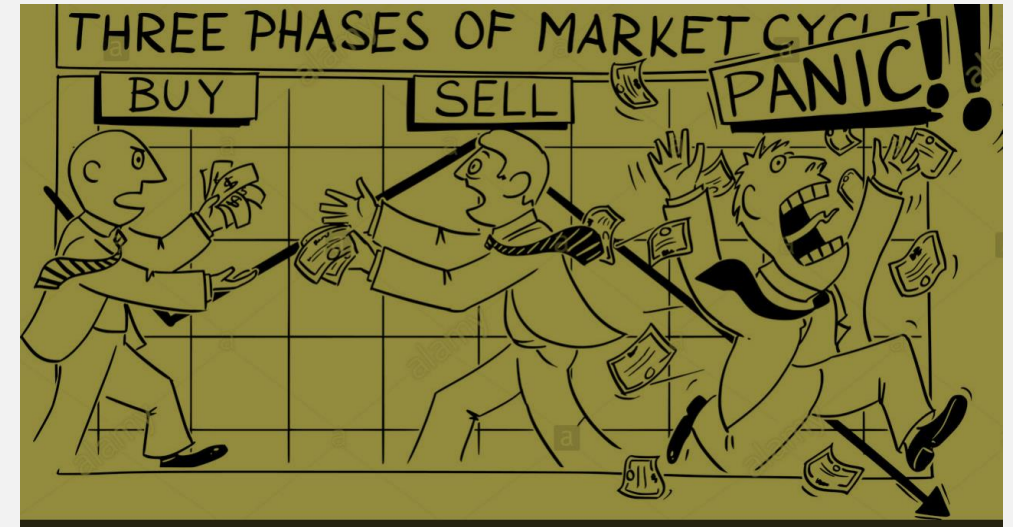
National Spot Exchange Payment Default: 2013



National Spot Exchange Payment Default: 2013

Modus Operandi:

- ✍ Fraudulent trading in Commodity
- ✍ Excessive short selling
- ✍ False reporting to the regulator – FMC
- ✍ Diversion of Funds
- ✍ Default in payment/delivery



Impact:

- ✍ The fraud led to the closure of the Exchange in July 2013.
- ✍ Trade Settlement Norms were changed after NSEL Scam was busted.
- ✍ SEBI replaced FMC as Commodity market Regulator.





IPO Frauds: 2013-14



Mishka Finance and Trading Limited – IPO Fraud: 2013-14

Modus Operandi:

- ✗ Sham IPO and Corporate Actions
- ✗ Manipulation of Accounts
- ✗ Diversion of IPO Proceeds
- ✗ Conversion of unaccounted money into legitimate market gains
- ✗ Price/Volume Rigging
- ✗ Dumping the inflated shares into hands of investors

Impact:

- ✗ Investors Lost Money as well as Confidence in Primary Markets



MISHKA FINANCE AND TRADING LIMITED





PACL Indian Limited Scam: 2015



PACL Indian Limited Scam: 2015

Modus Operandi:

- ✗ Ponzi Land Purchase Scheme
- ✗ Collection of monies from low incomes investors
- ✗ Assured return to investors
- ✗ Siphoning the collected money
- ✗ Re-payment defaults

Impact:

- ✗ Investors collectively lost Rs. 49,100 Crore.
- ✗ SEBI came down heavily on Ponzi/Unregulated Investment Schemes



Synchronized and Reversal Trades in F&O Segment: 2007/2014-15



Reversal Trades in F&O: 2007/2014-15 – Rakhi Trading Case & Ors.

Modus Operandi:

- ✍ Synchronized trading
- ✍ Non-Genuine Reversal trades
- ✍ Price/Volume Rigging
- ✍ Conversion of unaccounted money into legitimate market gains
- ✍ Stock Market was used as a platform for tax evasion and for manipulating books

Impact:

- ✍ Revenue Loss as large scale tax evasion occurred
- ✍ Market integrity was compromised



LTCG/Penny Stock Fraud: 2015-16





Eco Friendly Food and Esteem Bio Organic – LTCG/Penny Stock Fraud

Modus Operandi:

- ✍ Sham IPO and Corporate Actions
- ✍ Misuse of SME Platform
- ✍ Diversion of IPO Proceeds
- ✍ Circular trading amongst large number of entities with help of conduits
- ✍ Price/Volume Rigging
- ✍ Conversion of unaccounted money into legitimate market gains
- ✍ Stock Market was used as a platform for tax evasion

Impact:

- ✍ Revenue Loss as large scale tax evasion occurred
- ✍ Market integrity was compromised.





Mass Insider Trading: 2017



WhatsApp Leak Case – Mass Insider Trading Case: 2017

Modus Operandi:

- ✗ Leaking Price sensitive information
- ✗ Spreading false tips to do front running
- ✗ Insider trading
- ✗ Market Manipulation

Impact:

- ✗ Price discovery was distorted by fraud
- ✗ Investors were cheated in Secondary Market



Colocation Scam: 2018



Colocation Scam: 2018

Modus Operandi:

- ✗ Providing Preferential treatment to Brokers
- ✗ Disclosure of market price information to few brokers
- ✗ Facilitated Market Manipulation through front running and privileged access to market information

Impact:

- ✗ Creation of Illegal Cartel
- ✗ Loss of Opportunity to Other Brokers



Unauthorized Trading: 2019



Karvy Stock Broking Scandal – Unauthorized Trading: 2019

Modus Operandi:

- ✗ Misusing client's funds
- ✗ Unauthorized trading into client's account

Impact:

- ✗ Investors lost money
- ✗ Investors Lost faith in Market Intermediaries



KARVY 
STOCK BROKING



CNBC Awaaz "Stock 20-20" CASE





CNBC Awaaz “Stock 20-20” CASE

Modus Operandi:

- ✍ Pre-Market Show Recommendation
- ✍ Synchronized Trading Pattern
- ✍ Unfair Trade Practices
- ✍ Booking Profits from Multiple Trading Accounts
- ✍ Pattern of Pump-and-Dump Manipulation

Impact:

- ✍ Deceptive Perception by Misleading Retail Investors
- ✍ Loss to Investors and Viewers
- ✍ Market Distortion artificially inflated the price and volume of recommended stocks
- ✍ Undermining trust, damaging market credibility.



Shapoorji Pallonji & Comp. Pvt. Ltd. Case





Shapoorji Pallonji & Comp. Pvt. Ltd. Case

Modus Operandi:

- ✍ Conversion of NCDs to Term Loan
- ✍ failed to submit necessary documents to the debenture trustee
- ✍ Non-updation of Website as per LODR
- ✍ Non-adherence to Corporate Governance Norms

Impact:

- ✍ Uncertainty in Investment Decisions
- ✍ Potential Financial Loss to the Investors based on incomplete information
- ✍ Reduced Market Transparency
- ✍ Potential repercussions such as reputational damage, financial penalties, and increased scrutiny from regulators



PUMP AND DUMP CASE





PUMP AND DUMP CASE

Modus Operandi:

- ✍ Creation of Misleading Messages,
- ✍ Inducing Small Investors
- ✍ Spurt in Trading Activity
- ✍ Profit Booking
- ✍ Pattern of Pump-and-Dump Manipulation

Impact:

- ✍ Misleading Influence on Investors
- ✍ Loss to Investors and Subscribers
- ✍ Distortion of the natural price discovery mechanism of the stock market
- ✍ Erosion in investor confidence in the fairness and integrity of the market
- ✍ Negative Perception towards Listed Companies



Baap of Charts - 2023





Baap of Charts – Unregistered Fininfluencer

Modus Operandi:

- ✍ Buy/sell/hold recommendations in securities to clients/investors under the guise of providing courses related to the securities market.
- ✍ Assurance of a 100% guaranteed Return.
- ✍ An unnaturally high degree of certainty, returns/profit/guaranteed recovery from losses by adhering to the recommendations of the YouTube channel.

Impact:

- ✍ Loss to Investors and Subscribers
- ✍ Unrealistic expectations among followers
- ✍ trust issues among his followers and other retail traders towards other finfluencers and online investment advisory services



ZEE BUSINESS EXPERTS CASE





ZEE BUSINESS EXPERTS CASE

Modus Operandi:

- ✍ Information Sharing in Advance
- ✍ Trading Activities of the Experts Aligned with Stock Recommendations
- ✍ Connected entities started Front Running such recommendations
- ✍ Enablers provided support like facilitating the execution of trades based on advance information

Impact:

- ✍ Loss to Investors and Subscribers
- ✍ Manipulative practices undermine market integrity and confidence, distorting the price discovery process



Impact of Frauds





Impact on Investors of Frauds

- ✍ Loss of Public Money – **Crime against the public at large**
- ✍ Loss of Investors' Confidence – **Investors do not return to the Market**
- ✍ Markets do not reach full potential - **Underdeveloped Equity Cult**
- ✍ Loss of the overall Economy of the Nation – **Weak Markets Diminish Economic Confidence**
- ✍ Investors' Perception of the Market gets hurt – **Stock Markets viewed as Speculation/Gambling Arenas**
- ✍ Revenue Losses – **Stock Markets misused as a tool of Tax Evasion**
- ✍ Temptation to Fraud Increases - **If he can, why can't I?**

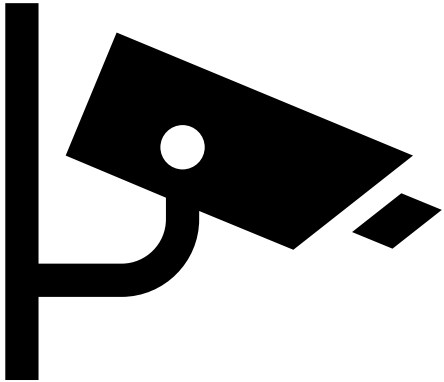


SEBI'S SURVEILLANCE FOR MARKET OVERSIGHT





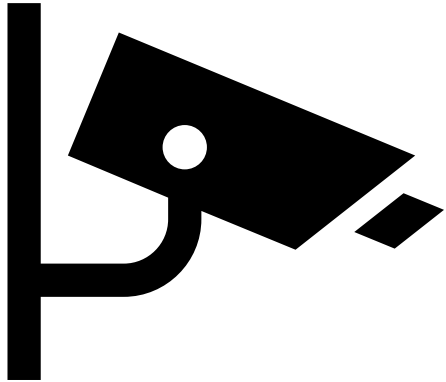
Surveillance – (ALeRTS)



- Stock exchanges conduct real-time surveillance, while SEBI complements robust in-house systems to monitor all market segments.
- To check market misconduct like unfair trade practices, market manipulation, front running, insider trading, etc.
- SEBI has established the **Advisory Committee for Leveraging Regulatory and Technology Solutions (ALeRTS)** to guide its technological initiatives.



Steps taken by SEBI to increase market surveillance



- Implemented measures for monitoring stocks with low non-promoter holding
- Extended Short-term Additional Surveillance Measure (ASM) framework to identify and monitor high-risk contracts.
- Introduced a “Trading Window” framework to restrict trading activities by designated persons
- Framework addressing unsolicited messages and videos on social media platforms.
- Monitoring companies in insolvency proceedings.



TECHNOLOGIES UTILIZED BY SEBI IN INVESTIGATION



SEBI's Technology and Capacity

1. **Enterprise Data Warehouse: With a capacity of 3 PB.** 1 PB = 1024^2 GB or 1024×1024 GB.
2. **Data Warehouse and Business Intelligence System (DWBIS):** Accesses critical documents such as market data, financial statements, regulatory filings, audit reports, and surveillance alerts, empowering informed decision-making and robust regulatory oversight.
3. **Data lake:** For automated generation of various reports and alerts for market surveillance
4. **Surveillance Technology** – capable of generating alerts for various market manipulations

All the above are integrated with each other; the state-of-the-art network architecture based on emerging MAN-WAN topology links SEBI's head office, regional office and Local office.



SEBI's Advanced Technology for Investigation

SEBI keeps updating its extant alert systems to keep abreast with the latest market manipulation techniques including front running, insider trading, unfair trade practices involving social media / news channels, etc. Various tools have been deployed to collect and analyze structured and unstructured data while conducting examinations and investigations

Digital forensic tools: To examine the digital data, collected by SEBI during search and seizure operations or otherwise.

Visual Yonder and Geotagging Management Solution: enables SEBI to take necessary photo/video at the location with details such as location, date and timestamp for conducting site visits/survey/training programs.



SEBI's Advanced Technology for Investigation

Case Management System: MIS generation for Departments; alerts for monitoring and compliances of different processes such as Adjudication, 11B, Recovery, etc.; and integration of recovery orders to the system.

Document Management System (DMS): consisting of content repository, integration services, scanning solutions and facility management services. It can convert physical files into electronic form for uploading and tracking; integrated with CMS, SCORES and other services for easy reference of documents; Optical Character Recognition (OCR) functionality to enable search across documents; support for bilingual (English and Hindi) forms and central storage for current and archived files.



What SEBI Can Procure through its Power, Technology & Other Tools

- | | |
|---|---|
| <ul style="list-style-type: none">• Accounts Statements• Company Details• Corporate Disclosure• Investor & Shareholder Complaints• Trade & Order Logs• Correspondence with Exchanges• Price Volume Data• Employees Details & ITR Filings• MOU & Agreements, Deeds | <ul style="list-style-type: none">• Bank & Transaction Details• KYC Documents, including PAN & Aadhar• Call Data Records• WhatsApp & Telegram Chats• Mobile Tower Locations• Geotagging Details• Social Media Details• Travelling & Hotel Details• Recorded Videos & Photos |
|---|---|



SEBI's Investigation

Investigation Process:

- Data Analysis: Market, exchange, depository, KYC, bank, and company data.
- Sources: SEBI surveillance, exchanges, government, media, complaints.
- Purpose: Gather evidence and identify violations.
- Action: Regulatory measures based on findings.

Type of FUTP	No. of Investigations Taken Up		No. of Investigations Completed	
	2021-22	2022-23	2021-22	2022-23
Insider Trading	17	85	48	75
Market manipulation and price rigging	38	54	82	67
Takeovers	0	0	5	0
'Issue' related manipulation	0	0	1	0
Miscellaneous*	4	5	33	10
Total	59	144	169	152





SEBI's Investigation Powers and Limitations

SEBI possesses extensive authority to investigate securities fraud, insider trading, and market manipulation.

- Summons and Examination
- Search and Seizure
- Penalize and Recovery
- Call for information
- Prosecution through Special Courts

LIMITATIONS

- No Power to intercept calls
- Absence of Arrest Powers





KEY INFORMATION CATEGORIES AND RESPONSE STRATEGIES

1.Scope of SEBI Inquiry

- SEBI often requests comprehensive information from entities under investigation.
- Information sought ranges from legal compliance to operational processes.

2.Key Information Categories

- ***Legal Compliance:*** Compliance data/status under SEBI Regulations
- ***Corporate/Organizational Structure:*** Stake/designation disclosure, Hierarchical chain of command, reporting structures
- ***Data:*** Personal data, Financial Data and Operational Data, including Audit procedures, MIS, and flow of information

3.Navigating SEBI's Inquiry

- A thorough understanding of requested information is crucial.
- Timely and accurate response is essential.



Extensive Investigation Instances from the Recent Cases



CNBC Awaz "Stock 20-20"

Case Type – BTST Trading

Document Relied –

- Trading Data & Order log
- Price & Volume Data Of the Scrip
- Trading Details from NSE & BSE
- Fund transfer details
- ATM Cash withdrawals details

Connection Established –

- Relationship established from the order logs and trade logs.
- Common & Shared Address and Email ID's
- Synchronized Trading & Trading Pattern of the Noticees





Shapoorji Pallonji & Comp. Pvt. Ltd.



Case Type – LODR & Listing Obligations

Document Relied –

- Financial Statements, Press Release of the company & the Credit Rating Agencies
- Screen Shot from the Company's Website
- MOU & Hypothecation Deed

Connection Established –

- These documents were used to establish connections and support the argument that the information regarding the NCDs and their related matters
- Absence of Document also used to establish the connection b/w the noticees for alleged violations of regulation of LODR.





Pump and Dump Scheme

Case Type – Market Manipulation

Document Relied –

- KYC details, bank statements, Ministry of Corporate Affairs records,
- WhatsApp Chats and Call data records
- Trade logs, Order Logs, data taken from Google INC, Payment Proofs, ITRs
- Sale Proceeds, assets and liabilities details

Connection Established –

- Analysis of the videos uploaded on YouTube channels, including false and deceptive statements about the company
- Connection B/w Manager, Clients and Big Buyer via call records and Chat.
- Bank Transaction
- Date of Trade vis-a-vis Call records and Connection through Social Circles.



SMS STOCK TIP SCAM – HANIF SHEKH

Case Type – SMS STOCK TIP



Document Relied –

- Mobile Numbers, SMS IDs and Website Details
- Bank Account Details, UCC Details, Order Logs and Trade Logs
- Hotel Check in and Check out Details, Details from Online Food Service provider,
- Statement Recording, Price Volume Influencer Details

Connection Established –

- Fund Transfer Details between the Noticees, UCC Details and Bank Account Details
- Payment details, Employee details, Common Address, ITR Filings
- IP Addresses, Trading Patterns, Broker's Data, Common Directorship Details.



Baap Of Charts



Case Type – Investment Advisory & Finfluencer

Document Relied –

- Details of Courses offered on Platform
- Examination of Bank Account Statement
- PAN and Mobile Numbers
- UPIs Id's and transactions, as well as advertised on social media channels
- WhatsApp Chats & Social Media Accounts' Report

Connection Established –

- Detailed examination of trades, financial transactions & online presence of individuals.
- Details of Enrollment in the courses
- Verifying details & funds credited to bank financial transactions & Online Courses.



Zee News Guest Expert Stock Recommendations case

Case Type – Front Running

Document Relied –

- Trade & Order Logs of Guest Experts and other, Trading Activities
- Price & Volume Data Of the Scrip
- WhatsApp Chat of the Expert & Connected People
- Call Data Record, Travelling Records
- Bank Statements & details, Client Application Form
- Geographical locations of Noticees
- Details from MCA & Recorded video

Connection Established –

- Analysis of Trade logs & Call Records shows the connection between Guest Experts & Profit Makers.
- Communication of Guest Experts & Profit Makers during the Investigation Period.
- Price Volume data during Expert advice & Investigation period.



Reforms in Law on account of Frauds



Reforms in Law on account of Fraud

- ✗ SEBI got statutory recognition
- ✗ Rules of Trading changed
- ✗ Ring trading was replaced by system driven electronic trading
- ✗ Physical shares were replaced by digital shares
- ✗ Settlement Mechanism was made Faster and Faceless
- ✗ Corporate Governance became part of the law
- ✗ State of art surveillance systems deployed by SEBI
- ✗ Regulatory Thrust on Disclosures/Reporting by companies and Monitoring



Reforms in Law on account of Fraud (Contd...)

- ✍ Law introduced for hammering down Ponzi/ Fly by Night Schemes
- ✍ Code of Conduct for Market Intermediaries strengthened
- ✍ Rules for Issuance of Securities Rationalized to prevent frauds
- ✍ Tough law to prevent and prohibit Insider Trading
- ✍ More Powers to SEBI to investigate, order for disgorgement, bar from securities market and even arrest.



“

**Law blocks road for
Fraud;
And Greed builds
Tunnel**

“

**Rather fail with honour
than succeed by fraud**

-Sophocles

One of three Ancient Greek Tragedians

THANK YOU

Ravi Prakash

Associate Partner,
Corporate Professionals
ravi@indiacp.com
+91 9818598604

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